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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSALS SIX THROUGH NINE)	Docket No. RM2014-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS 1-5 OF CHAIRMAN'S INFORMATION REQUEST NO. 1
(December 17, 2013)

The United States Postal Service hereby provides its responses to Questions 1-5 of Chairman's Information Request No.1, dated December 11, 2013. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Eric P. Koetting
John F. Rosato
David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
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1. [Proposal Seven] This question relates to the FY 2012 Annual Compliance Determination (ACD) at 163 and the Postal Service's response in that proceeding to Chairman's Information Request No. 8, question 7.

   a. Has the Postal Service's Product Tracking System been updated to scan third-party carrier labels?

   b. If the Product Tracking System has not been updated to scan third-party carrier labels, please explain when the Postal Service plans to update the Product Tracking System so that it can scan third-party carrier labels.

   c. When updated, will the Product Tracking System be usable to provide a more accurate estimate of the number of third-party carrier packages than the sampling methodology in Proposal Seven? Please explain.

   d. In years after FY 2013, does the Postal Service expect to use the updated Product Tracking System in lieu of the Proposal Seven sampling methodology to estimate the number of third-party carrier packages? Please explain.

   e. If the response to part d. is in the affirmative, will the Postal Service continue the sampling methodology in Proposal Seven in FY 2014 and in future years? Please explain.

RESPONSE:

1.

a. Yes, in part. Product Tracking & Reporting (PTR, formerly PTS) does contain data on scans of third-party carrier labels at delivery units. However some types of tracking barcodes for some third-party carriers are not presently able to be scanned, so those packages are not included in PTR at this time.

b. The Postal Service is investigating the changes that would be needed to include all third-party carrier tracking barcodes.

c. Apart from adding the capability to scan all types of third-party carrier tracking barcodes, there is an additional issue to take up. In some cases

third-party carrier labels scans are erroneously obtained on Parcel Select pieces because the pieces contain tracking barcodes for both postal purposes and the third-party purposes. Until this issue can be resolved through additional business rules, the use of PTR data could lead to an overstatement of third-party carrier packages delivered to Street-Addressed Post Office Boxes.

d. The use of PTR data as an acceptable substitute will be re-examined next year.

e. Until complete, accurate data are available through PTR, we will continue to rely on the results of the special study reported in Proposal Seven.

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2. Please provide the following information related to Proposal 8:
   a. The proposed productivities using the FY 2013 Management Operating Data System (MODS) data.
   b. The FY 2013 daily MODS volumes and workhours by plant, operation, and tour. For each record, include:
      i. Finance number–(plant finance number, 6 digits),
      ii. Date–(YYYYMMDD format),
      iii. MODS tour–(1, 2, or 3),
      iv. Operation–(3-digit MODS operation),
      v. FHP–(MODS First-Handling Pieces),
      vi. TPH–(MODS Total Pieces Handled),
      vii. TPF–(MODS Total Pieces Fed),
      viii. Nonaddtph–MODS Non-Add TPH,
      ix. Hours–MODS workhours, and
      x. Facility type, *e.g.*, MODS, NDC, REC, ISC, etc.
   c. A crosswalk or road map of MODS operations from current MODS operation groups to the proposed MODs operations groups.

RESPONSE

a. The table below shows the proposed productivities computed using FY2013 data. For comparison, the corresponding productivities based on accepted methodology also are shown.

b. The requested facility-specific data are filed under seal in USPS-RM2014-1/NP2.

c. The table below shows the current and proposed assignments of MODS operations for operation groups affected by Proposal Eight.

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Response to CHIR No. 1, Question 2(a)

Proposed Operation Groups

			Number of Observations		Productivity (TPF/Hour)		
Group	**Description**	**Shape**	**FY2013**	**FY2012**	**FY2013**	**FY2012**	**Productivity % Change**
5	Tray Sortation Outgoing	Letters	1,287	1,324	110	117	-5.8%
6	Tray Sortation Incoming	Letters	1,632	1,682	89	91	-2.2%
14	Manual Out	Letters	2,385	2,733	740	704	5.1%
16	Manual In	Letters	2,910	3,190	1,116	1,016	9.9%
45	UFSM1000 Outgoing	Flats	161	210	936	1,130	-17.2%
46	UFSM1000 Incoming	Flats	319	464	1,736	1,518	14.4%
57	Manual Out	Flats	2,206	2,527	610	559	9.2%
59	Manual In	Flats	2,936	3,141	521	527	-1.2%

Currently Accepted Operation Groups

			Number of Observations		Productivity (TPF/Hour)		
Group	**Description**	**Shape**	**FY2013**	**FY2012**	**FY2013**	**FY2012**	**Productivity % Change**
14	Manual Out Primary	Letters	2,344	2,710	696	663	5.0%
15	Manual Out Secondary	Letters	1,673	1,953	1,130	1,009	12.0%
16	Manual In MMP	Letters	933	920	1,202	1,060	13.4%
17	Manual In SCF/Primary	Letters	2,822	3,086	1,088	1,005	8.2%
18	Manual In Secondary	Letters	1,174	1,488	433	320	35.3%
45	UFSM1000 HSF Out Primary	Flats	146	210	1,530	1,147	33.4%
46	UFSM1000 HSF Out Secondary	Flats	24	43	1,026	787	30.4%
47	UFSM1000 HSF In MMP	Flats	10	10	2,037	1,795	13.5%
48	UFSM1000 HSF In SCF	Flats	170	264	1,541	1,392	10.7%

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			Number of Observations		Productivity (TPF/Hour)		
Group	**Description**	**Shape**	**FY2013**	**FY2012**	**FY2013**	**Group**	**Description**
49	UFSM1000 HSF In Primary	Flats	0	0	na	na	na
50	UFSM1000 HSF In Secondary	Flats	288	403	2,171	1,857	16.9%
51	UFSM1000 Key Out Primary	Flats	64	106	450	494	-9.0%
52	UFSM1000 Key Out Secondary	Flats	18	43	656	1,060	-38.1%
53	UFSM1000 Key In MMP	Flats	0	1	na	19	na
54	UFSM1000 Key In SCF	Flats	23	62	2,566	860	198.3%
55	UFSM1000 Key In Primary	Flats	8	11	295	326	-9.4%
56	UFSM1000 Key In Secondary	Flats	26	36	896	926	-3.2%
57	Manual Out Primary	Flats	2,160	2,473	603	554	8.8%
58	Manual Out Secondary	Flats	829	885	538	530	1.6%
59	Manual In MMP	Flats	773	743	762	662	15.0%
60	Manual In SCF	Flats	2,553	2,747	564	507	11.3%
61	Manual In Primary	Flats	829	906	502	517	-2.8%
62	Manual In Secondary	Flats	1,010	1,073	180	365	-50.7%

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Response to CHIR No. 1, Question 2(c)
Crosswalk of MODS Operations from USPS-FY12-23 Groups to Proposed Consolidated Groups

Manual Letters		**Operation Groups**			
MODS Op #	**Operation Name**	**USPS-FY12-23**		**Proposal 8**	
30	MANUAL LTR-OUTGOING PRIMARY	14	Manual Out Primary	14	Manual Out
40	MANUAL LTR-OUTGOING SECONDARY	15	Manual Out Secondary	14	Manual Out
43	MANUAL LETTERS - MANAGED MAIL	16	Manual In MMP	16	Manual In
44	MANUAL LTR-SCF DISTRIBUTION	17	Manual In SCF/Primary	16	Manual In
150	MANUAL LTR-INCOMING (5D)	17	Manual In SCF/Primary	16	Manual In

Manual Flats		**Operation Groups**			
MODS Op #	**Operation Name**	**USPS-FY12-23**		**Proposal 8**	
60	MANUAL FLT-OUTGOING PRIMARY	57	Manual Out Primary	57	Manual Out
70	MANUAL FLT-OUTGOING SECONDARY	58	Manual Out Secondary	57	Manual Out
73	MANUAL FLATS - MANAGED MAIL	59	Manual In MMP	59	Manual In
74	MANUAL FLT-SCF DISTRIBUTION	60	Manual In SCF	59	Manual In
170	MANUAL FLT-INCOMING (5D)	61	Manual In Primary	59	Manual In
175	MANUAL FLT-INCOMING SECONDARY	62	Manual In Secondary	59	Manual In
178	MAN FLT-INCOMING BOX SECT DIST	62	Manual In Secondary	59	Manual In
179	MAN FLT CASE-BOX FINAL DIST	62	Manual In Secondary	59	Manual In

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Response to CHIR No. 1, Question 2(c) (cont'd)

FSM 1000		Operation Groups			
MODS Op #	Operation Name	USPS-FY12-23		Proposal 8	
441	UFSM 1000 KEYING OUTGOING PRIMARY	51	UFSM1000 Key Out Primary	45	UFSM1000 Outgoing
442	UFSM 1000 KEYING OUTGOING SECONDARY	52	UFSM1000 Key Out Secondary	45	UFSM1000 Outgoing
443	UFSM 1000 KEYING MMP	53	UFSM1000 Key In MMP	46	UFSM1000 Incoming
444	UFSM 1000 KEYING SCF	54	UFSM1000 Key In SCF	46	UFSM1000 Incoming
445	UFSM 1000 KEYING INCOMING PRIMARY	55	UFSM1000 Key In Primary	46	UFSM1000 Incoming
446	UFSM 1000 KEYING INCOMING SECONDARY	56	UFSM1000 Key In Secondary	46	UFSM1000 Incoming
811	UFSM 1000 OCR - O/G PRIMARY	45	UFSM1000 HSF Out Primary	45	UFSM1000 Outgoing
812	UFSM 1000 OCR - O/G SECONDARY	46	UFSM1000 HSF Out Secondary	45	UFSM1000 Outgoing
813	UFSM 1000 OCR - MANAGED MAIL	47	UFSM1000 HSF In MMP	46	UFSM1000 Incoming
814	UFSM 1000 OCR - I/C SCF	48	UFSM1000 HSF In SCF	46	UFSM1000 Incoming
815	UFSM 1000 OCR - I/C PRIMARY	49	UFSM1000 HSF In Primary	46	UFSM1000 Incoming
816	UFSM 1000 OCR - I/C SECONDARY	50	UFSM1000 HSF In Secondary	46	UFSM1000 Incoming
817	UFSM 1000 OCR - BOX SECTION	50	UFSM1000 HSF In Secondary	46	UFSM1000 Incoming

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3. Please explain how the following productivity consolidations improve the quality, accuracy, and completeness of the current productivity estimates.
   a. Consolidation of UFSM 1000 groups,
   b. Consolidation of Incoming and Outgoing Operation Groups within Manual Letters and Manual Flats,
   c. Provide all supporting information, and
   d. Please also explain if the proposed consolidations improve the quality, accuracy, and completeness of the letter and flat avoided cost models.

RESPONSE

As a general matter, consolidating MODS operations for productivity calculations can improve data quality and accuracy in a few major ways. First, MODS workhours for aggregated operation groups are generally more accurate than workhours at the three-digit operation level.[1] Workhour errors due to "misclocking"—i.e., recording workhours for activities that should be recorded under operation A instead under operation B—can cancel out if operations A and B can be logically aggregated. Second, aggregation increases the effective number of observations entering a given estimate, which (other things equal) reduces the relative variance of nonsystematic (random) errors in the data. Aggregation also attenuates the effects of systematic errors in smaller components of aggregated groups. With sufficient numbers of observations, it is possible for individual observations to be observed with considerable random noise, while aggregated data are relatively accurate if less granular.

a. The consolidation of UFSM 1000 groups improves the quality of the UFSM 1000 productivities primarily by increasing the effective number of observations in the consolidated productivities. The numbers of UFSM 1000 observations have generally been declining due to retirement of the UFSM 1000 equipment, and are

[1] For mechanized and automated operations, MODS volumes are based on machine counts reported automatically through the End-of-Run system, and are generally accurate at fine levels of operational detail. However, users of the data provided in response to question 2(b) are cautioned that MODS volumes are not necessarily reported in the same tour as the associated workhours.

approaching zero for a number of the current operation groups (particularly UFSM 1000 Keying groups), as may be seen in the table provided in response to Question 2(a). With relatively few observations, productivities based on the current UFSM 1000 operation groups are quite unstable. The proposed aggregated groups have somewhat larger effective sample sizes. The difference in measured productivity between the proposed UFSM 1000 Outgoing and UFSM 1000 Incoming groups appears to be consistent with the greater share of high-speed feeder (HSF) operations, with higher productivities, in the Incoming aggregate.

b. As noted in the Petition at 2-3, portions of manual letter and flat workloads have been imputed, rather than converted from the weight of mail, following the elimination of weighing operations in FY 2008. The workloads in the relatively small incoming and outgoing secondary operations would be expected to be more sensitive to errors in the volume imputation, and indeed can be seen in the response to Question 2(a) to have generally less stable productivities than the larger manual letter and manual flat categories, or the proposed aggregates. As the Postal Service observed in its December 10, 2013 Reply Comments, the data are not easily correctable, and some of the productivity differentials are anomalous. The proposed manual letter and flat operation groups are less susceptible to large systematic errors in the imputed manual volumes than the finer categories used in the current methodology.

c. See the responses to parts (a) and (b), above.

d. The Postal Service believes that the accuracy of the letter and flat avoided cost models will be improved by incorporating productivity estimates that are more stable and that do not reflect anomalously large productivity differences among manual operations.

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4. Please explain why the LIPS Outgoing Group was discontinued.

RESPONSE

The underlying MODS operation numbers (254—LIPS Outgoing Pref and 255—LIPS Outgoing Standard) were discontinued in FY2012. Prior to that, the LIPS outgoing operations had low workhours and workloads. Thus, as explained in the Petition, there is no MODS data underlying the group in FY2013.

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5. Please explain how the Postal Service plans to incorporate the new outgoing and incoming tray sortation productivities into the letter and flat mail processing avoided cost models (*i.e*., USPS-FY13-10 and USPS-FY13-11).

RESPONSE

The Postal Service does not plan to incorporate the new tray sorting productivities in the USPS-FY13-10 and USPS-FY13-11 cost models.